



Investment Performance Quarterly Report, Second Quarter, FY22

- Markets remained strong through the second quarter of FY22, although gains slowed due to increased market volatility caused by rising and sustained inflation, unpredictable oil prices, and the lingering pandemic. Despite increasing instability, continued economic recovery sustained above-target returns. Generally, the state’s risk-averse investments performed better than peer funds in the near-term, although they tend to underperform or perform around the median in the long-run.

THIS REPORT details the comparative investment performance of the three investment agencies: the Educational Retirement Board (ERB), the Public Employees Retirement Association (PERA), and the State Investment Council (SIC), which manages the land grant permanent fund (LGPF) and the severance tax permanent fund (STPF).

Agency performance and market environment information are derived from the investment performance reports submitted by PERA, ERB, and SIC.

Investment Performance Highlights

- For the year ending December 2021, the value of New Mexico’s combined investment holdings for the pensions and permanent funds grew by \$9.2 billion, or 15.9 percent, to an ending balance of \$67.2 billion. Over the last five years, the state’s combined investment holdings grew \$20 billion, or 42.4 percent.
- One-year returns remain strong, though lower than the previous two quarters, ranging from 13.6 percent (STPF) to 21.4 percent (ERB). Average investment returns over the last ten years ranged from 8.9 percent (STPF) to 9.8 percent (ERB).
- All funds outperformed their targets for every period, when annualized.¹
- When compared with peer funds greater than \$1 billion on a net-of-fee basis, the state’s investment funds perform unevenly. ERB’s private equity returns of 59.3 percent supported top quartile rankings for the quarter and the year, though ERB’s rankings for all other periods remain near or below the median. The STPF performed near or in the lowest quartile for all periods, including last for 3-year returns. The LGPF has rankings in every quartile, including in the top quartile for the quarter and the year, the bottom quartile for 3-year returns, and the third quartile for 5- and 10-year returns. PERA has no top quartile rankings and ranks in the bottom quartile for 3-, 5-, and 10-year returns due to their risk-averse investing strategy.

Returns as of December 31, 2021 (Net of Fees)¹

Returns (%)	PERA		ERB		LGPF		STPF	
	Fund	Policy Index	Fund	Policy Index	Fund	Policy Index	Fund	Policy Index
Quarter	4.16	3.98	4.68	3.75	4.65	4.16	3.64	3.30
1-Year	16.37	13.04	21.42	15.48	17.06	16.53	13.60	13.13
3-Year	12.63	12.65	13.95	13.31	13.49	13.85	11.39	12.83
5-Year	9.67	8.94	11.13	10.72	10.57	10.55	9.25	9.99
10-Year	8.96	8.54	9.79	9.19	9.65	9.55	8.87	9.28

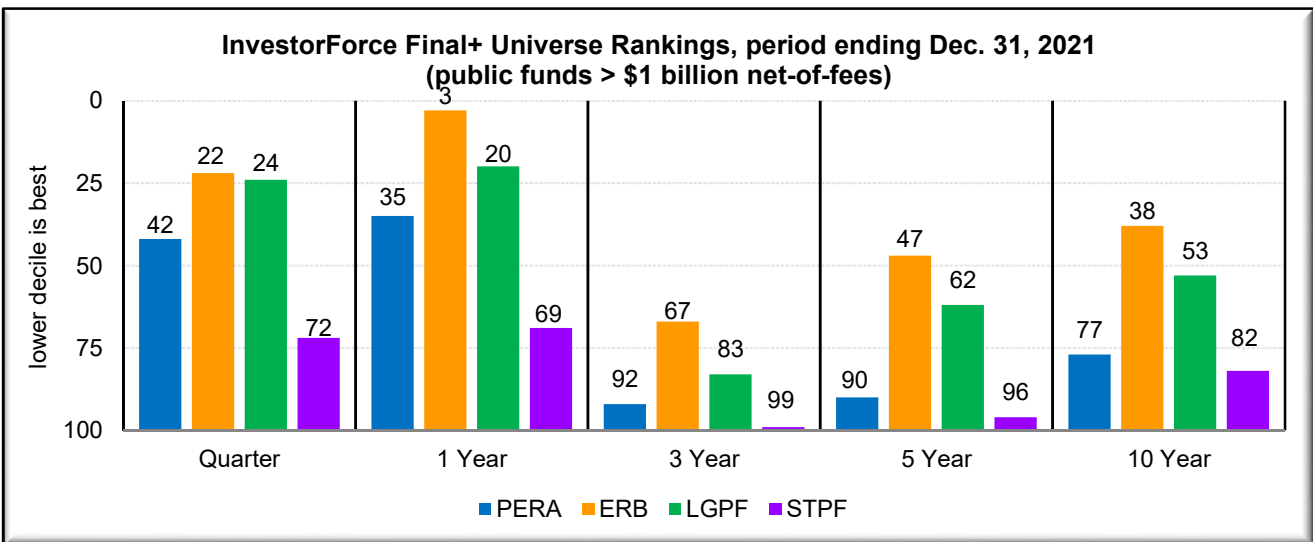
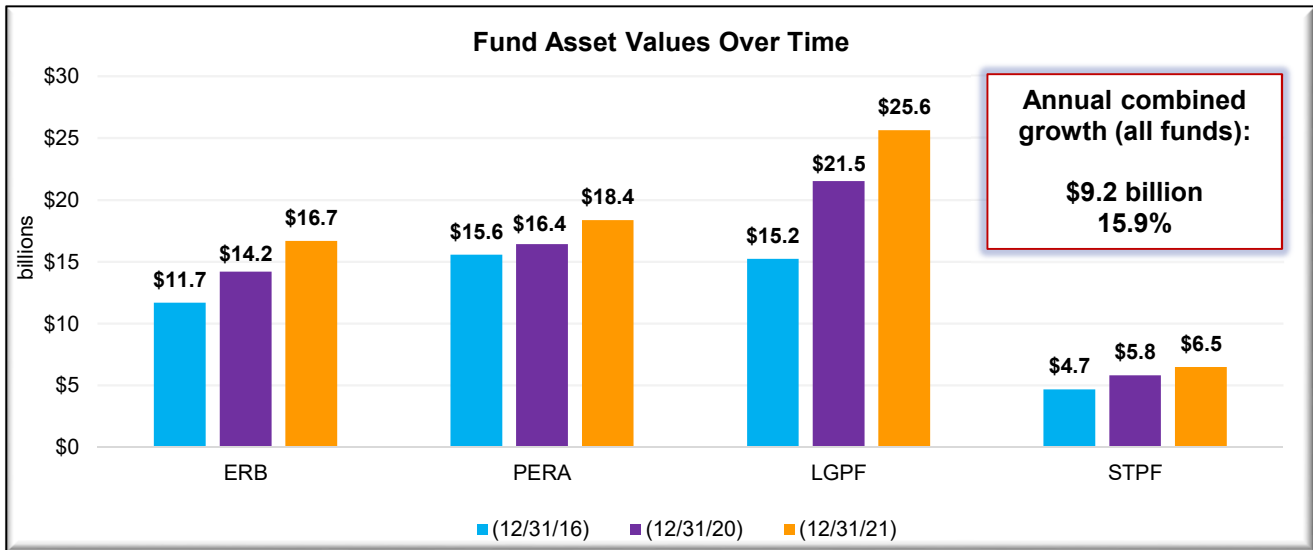
Note: bold indicates returns that exceed the fund’s long-term target. Quarterly data is not annualized.

¹ The funds’ long-term return targets are 7.25 percent (PERA), 7 percent (ERB), 7 percent (LGPF), and 6.75 percent (STPF).

Investment Agency Performance Dashboard

Quarter Ending December 31, 2021

This report detail the comparative investment performance of the three investment agencies: the Educational Retirement Board (ERB), the Public Employees Retirement Association (PERA), and the State Investment Council (SIC) which manages the land grant permanent fund (LGPF) and the severance tax permanent fund (STPF).



Risk Profiles, Five Years Ending 12/31/21, Net of Fees				
Fund	ERB	PERA	LGPF	STPF
Standard Deviation*	6.1	6.7	8.0	7.9
Sharpe Ratio**	1.6	1.2	1.1	1.0
Beta***	0.3	0.4	0.4	0.4

*measures variability from the mean return; higher is more volatile

**higher numbers indicate higher return-to-risk level; a good ratio is 1 or better

***represents the volatility of the portfolio versus the S&P 500. Beta = 1: portfolio moves with the market. Beta < 1: portfolio is less volatile than market. Beta > 1: portfolio is more volatile than the market.

**Aggregate Value
of New Mexico
Investment
Holdings**

\$67.2 billion

Source: Agency
Investment Reports